



U.S. AIR FORCE

Policy Letter

Digest

News and Issues from Headquarters U.S. Air Force

May 2001

Eligible People Get Retirement Plan Choice

Opting for a 20-year, 50-percent retirement under High-3 or taking the career status bonus of \$30,000 and staying with REDUX at 40 percent is a choice that Air Force people, who initially entered military service Aug. 1, 1986, or later, will have to make beginning this August.

This opportunity to elect retirement plans was a result of the 2000 National Defense Authorization Act, said Maj. Jeff Keef, chief of military estate and special pay policy at the Pentagon.

"The legislation, designed to provide all servicemembers with the same retirement benefits, transferred all members from the REDUX retirement to the more generous High-3 system," Keef said. "However, at their 15th year of active duty, these members may instead elect to receive a \$30,000 bonus and retire under the REDUX retired pay system."

The basic eligibility requirements for electing and receiving the career status bonus are:

√ Entered the service Aug. 1, 1986, or later;

√ Be on active duty with 15 years of active uniformed service;

√ Meet eligibility requirements to remain on active duty through 20 years of service to include:

√√ Not having an approved date of separation;

√√ No pending court-martial or administrative discharge;

√√ Not subject to any quality force conditions that would prevent continued service to 20 years.

Current active Guard/Reserve status members and some non-AGR members may at times become eligible, if offered a chance to serve on continuous active duty until completion of 20 years of service.

Normally, people will be notified on or before the date they complete 14 years and six months of active duty.

Those eligible who want to elect the bonus must complete a written career status bonus agreement that states they will remain on continuous active duty until the completion of 20 years' total active federal military service.

"Under most circumstances bonus recipients who fail to serve on active duty to their 20th year must repay a prorated amount of the \$30,000," Keef said.

If a person is not eligible for the bonus, the notification will explain why not and will inform the person whether there will be a chance to make a choice in the future.

The bonus is taxable income as of the date on which the payment is made to the member, Keef said.

However, if a person is eligible for a combat zone tax exclusion or qualified hazardous duty area tax exclusion on the date the bonus election becomes effective, the bonus, within allowable limits, will not be considered taxable income, he said.

Additionally, people may defer paying taxes on a portion of the \$30,000 if they are a Thrift Savings Plan participant and contribute a portion of their bonus to the savings plan, Keef said.

The current annual elective deferral limit of all savings plan participant contributions from taxable pay, including the bonus, is \$10,500.

"Implementation of the TSP is not expected before Oct. 9, with the first contributions beginning in January; therefore, as a temporary provision, people may defer their

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People are asking whether the change in the law and whether taking the bonus with REDUX is a good deal for them. The obvious answer is that you have a good deal ...
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Maj. Jeff Keef

election until March 1," he said.

Keef cautions people that electing the bonus with REDUX instead of remaining with the High-3 retirement is a complicated financial decision and should not be made in haste.

"People are asking whether the change in the law and whether taking the bonus with REDUX is a good deal for them," he said. "The obvious answer is that you have a good deal in that you now have a choice — stay in your current retirement pay system or change to a reduced one with the benefit of a significant bonus. With that choice comes some risk, however.

"Responsible people will need to be well informed and be making reasonable assumptions about the future when making this choice," Keef said.

"Either choice is not universally good or bad and will have to be analyzed in light of one's own personal circumstances. And, while comparing lifestream earnings of the two options may be one way to analyze this choice, one's

own values, expectations and goals will probably have influence on how the decision will ultimately be viewed."

There are also many tools and programs that a person can use to help reach a decision, Keef said.

They include:

- √ An educational fact sheet which will be provided to eligible people at the point of notification that contains information to help them analyze the choice;

- √ A Web-based retirement calculator developed for financial comparisons and a "Career Status Bonus Decision Center" available on the Web at <http://pay2000.dtic.mil/>;

- √ Information about the different retirement pay plans is available on the Air Force Personnel Center Web site at www.afpc.randolph.af.mil/retsep/; and

- √ Personal financial management counselors at Air Force family support centers who are available to provide additional financial counseling on the choice.

Thrift Savings Plan Opens to Military Oct. 9

Military people can begin to sign up for the Thrift Savings Plan beginning Oct. 9, DOD officials said. The Thrift Savings Plan is a retirement and investment plan that has been available to civilian government workers since 1987. Congress extended the plan in 2000 to include military people.

"It's in addition to your regular retirement," said Army Lt. Col. Tom Emswiler, a tax expert with DOD's Office of Military Compensation. "It's an optional program."

The open season for signing up will run from Oct. 9 to Dec. 8. Deductions start in January. In 2002, servicemembers can contribute up to 7 percent of

their basic pay. However, the maximum amount servicemembers can contribute from basic pay will change. The current limit of 7 percent of basic pay will rise to 10 percent by 2005 and become unlimited in 2006.

Unlike civilians, who cannot make lump-

sum payments into the program, servicemembers may also contribute all or a percentage of any special pay, incentive pay or bonus pay they receive.

"You can contribute from 1 percent to 100 percent of your special pays, incentives and bonuses into the thrift plan," Emswiler said.

The total amount generally cannot exceed \$10,500 for the year. Contributions from pay

earned in a combat zone do not count against the \$10,500 ceiling. Combat zone contributions are subject to a different limitation, however, 25 percent of pay or \$35,000, whichever is less.

Like civilian employees in the program, military people must choose how they want their money invested. Right now,

there are three funds to choose. The funds run the gamut of safe — the G Fund invests in special government bonds — to riskier investments — the C Fund tied to the stock market. There is also an F Fund for investing in commercial bonds.

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You can contribute from 1 percent to 100 percent of your special pays, incentives and bonuses into the thrift plan.
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Army Lt. Col. Tom Emswiler

TSP will unveil the new S and I Funds in May. S Fund investments go to a stock index fund that paces small businesses. I Fund investors will track international companies the same way.

Participants will be able to start, change or reallocate their TSP contributions during two open seasons held each year. These are November to January and May to July.

"Because bonuses are hard to predict, if you are already participating in the plan and contributing from basic pay and you receive, for example, a re-enlistment bonus, you can elect to contribute at any time," Emswiler said.

Contributions to the plan come from "pre-tax" dollars. People pay no federal or state income taxes on contributions or earnings until they're withdrawn.

"We're very pleased to see that our Air

Force people will have the opportunity to take advantage of a tax-deferred savings plan while still retaining our generous retirement pension," said Maj. Jeff Keef, chief of military estate and special pay policy at the Pentagon.

"We believe our members will also be pleased when they see the potential supplemental retirement funds they can easily accumulate through small, painless, automatic deductions," he said. "In fact, if you assume a modest 8 percent average annual return and a monthly contribution of \$50, you can have nearly \$30,000 to supplement a retirement at the end of 20 years."

The services will be providing more information before the initial open season. Until then, see the Thrift Savings Plan's Uniformed Services page at www.tsp.gov/uniserv/index.html for more information.

Air Force Announces New Initiatives for Contractor Disputes

New initiatives to improve the Air Force's settlement procedures, known as alternative dispute resolution, were announced during a conference in San Antonio in April.

Joseph G. Diamond, Air Force program executive officer for weapons, made the announcement on behalf of Darleen A. Druyun, principal deputy assistant secretary of the Air Force for acquisition and management, during the National Defense Industrial Association-sponsored conference. The new initiatives are:

√ Contractor past performance: The Air Force is amending current guidance to reward contractors who timely identify and resolve issues.

√ Reporting requirements: During major program reviews of certain weapon systems, program offices must identify any issues pending more than 12 months to determine if ADR can speed up the resolution.

√ Settlement funding: The Air Force intends to create a pilot program to fund settlements less than \$10 million. This will help speed up and settle small issues before they grow into major disputes and adversely impact other programs.

√ Increase access to the judgment fund: The Air Force plans to work with the office of the secretary of defense to reintroduce an initiative giving greater access to the judgment fund for ADR-related contract settlements.

√ Joint training: The Air Force is challenging industry to take a leading role to develop joint negotiations and ADR training. This will ensure both industry and Air Force workforces

get additional tools and knowledge to solve issues in a "win-win" manner.

√ Recognition program: The Air Force plans to recognize Air Force and industry people and organizations for their contributions to the Air Force ADR program.

√ Promote a uniform use of ADR in the Defense Department: The Air Force will work with OSD and the military branches to fund support costs associated with implementing Department of Defense ADR programs.

The Air Force adopted an "ADR First" policy in 1999 as an alternative to litigation. ADR uses a variety of processes such as mediation, neutral case evaluation, arbitration, settlement conferences and consensus building. These processes are increasingly being used by courts, businesses and government agencies across the country.

Since adopting the policy, the program has had a four-fold increase in ADR activity with a 97-percent success rate. The Air Force converted 52 percent of appeals being litigated before the Armed Services Board of Contract Appeals to ADR, reducing litigation time by more than half.

The Air Force has made great strides toward achieving its goals and can be extremely proud of the accomplishments, but has more work to be done, according to Druyun.

Druyun believes these initiatives represent a significant change in the services of the Air Force's lawyers from litigators to problem-solvers and are changing mindsets.

Examples of how ADR is working include

two disputes between the Air Force and Boeing Company.

Two years ago, an AC-130 gunship claim was settled through ADR procedures. This was a 10-year-old dispute, three years into the litigation. Both parties agreed to use ADR and settled the case in six months. The success of this settlement demonstrated to both Air Force and Boeing leaders the value of ADR, according to Druyun.

When a major issue in the B-1 program arose, both parties again agreed to use ADR processes to resolve the issue. They successfully achieved this goal, and the dispute was resolved within months of reaching impasse and never went into the courts, at great savings to both parties and to the warfighter, Druyun said.

"When you look at the ADR program, it really is a way to bring people together with a common purpose," said Harry Stonecipher, president and chief operating officer of Boeing Company, and a conference key speaker.

To help bring these people together and take the Air Force's program to a higher level, Druyun wrote to the leaders of 17 companies that represent more than half of all procurement dollars awarded by the Air Force.

She asked each company to designate senior officials as ADR champions and asked each corporate chairman to carefully select senior representatives to attend the conference.

Senior Air Force officials and commanders matched up with industry representatives and more than 330 people representing 79 major weapons system programs attended.

"This conference demonstrates that the Air Force is on the cutting-edge of using dispute resolution processes to make government contracting more efficient for all concerned," said Peter Steenland, Department of Justice senior counsel for ADR. "I hope other federal agencies will learn from the Air Force commitment and adopt similar programs."

Muscle Testing Begins in January

Airmen will be graded on the number of push-ups and crunches they can do starting in January. The Air Force approved muscle fitness testing last year as part of fitness testing. Airmen were given a grace period from July 2000 to December 2001 to prepare for the push-ups and crunches testing.

"So far results of the muscle fitness testing tell us that preparation is the key," said Lt. Col. Bruce Weaver, chief of health promotion operations, Air Force Medical Operations Agency, Bolling Air Force Base, D.C. "If people add some calisthenics or light strength training to their exercise regimens in preparation for testing, they should have little problem meeting fitness standards."

The Air Force reviewed the results of some active-duty people who took their ergometry and muscle fitness tests on the same day and found a number who were not able to perform the

required amount of crunches or push-ups for their age and gender, Weaver said.

"We expect to see improvements in these numbers once the pass/fail testing starts in January," said Weaver. "We think people who didn't do well this year will be ready next year when the test counts."

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Our program encourages warriors to maintain a fit and healthy lifestyle so airmen are battle ready, and, with this new emphasis on muscle fitness, the active duty force will be stronger and more fit.

Lt. Col. Bruce Weaver

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The Air Force expanded its fitness program in order to comply with the "Department of Defense Physical Fitness and Body Fat Procedure" instruction that mandates evaluation of cardiorespiratory endurance and muscular strength and endurance annually of active-

duty members.

Although changes to the Air Force fitness program are being done to comply with DOD standards, Weaver said it's not the only reason things are changing.

“The primary goal of the Air Force’s fitness program is to encourage people to be involved in a year-round total fitness program,” said Weaver.

“Our program encourages warriors to maintain a fit and healthy lifestyle so airmen are battle ready, and, with this new emphasis on muscle fitness, the active duty force will be stronger and more fit,” he said.

In 1999, eight Air Force bases worldwide volunteered to serve as test sites as the Air Force prepared to add muscular fitness testing to its annual physical fitness assessment. During that phase, people were asked to do crunches and push-ups with their annual cycle ergometry testing.

The Force Enhancement and Fitness Division of the School of Aerospace Medicine and the Air Force Fitness Program Office, Brooks AFB, Texas, used the data from this

testing to evaluate the testing procedures and define the final test format.

The number of push-ups and crunches required to meet standards mirrors the Army’s current passing requirements.

Today, both males and females must do a full body style push-up with the arms flexed at a 90-degree angle in the down position and fully extended in the up position.

During the crunch test, the legs are bent at a 45-degree angle with feet flat on the floor. Arms are crossed over the chest, and from the prone position, the member comes up far enough to touch the forearms to the front of the thighs. The feet or ankles are held in place by a toe bar or by another individual.

Weaver encourages people to contact the health and wellness center if they have any questions about fitness testing requirements or to get information on test preparation.

Senior Executive Appraisal System Adopts New Look in July

The Air Force senior executive service performance appraisal system is slated to change July 1 to comply with new U.S. Office of Personnel Management regulations.

The new system changes the focus of SES performance management from process to results.

The changes are designed to help agencies hold senior executives accountable by:

- √ Reinforcing the link between performance management and strategic planning,
- √ Requiring agencies to use balanced measures in evaluating executive performance, and
- √ Giving agencies more flexibility to tailor performance management systems to unique mission requirements and organizational climates.

Several of the new requirements had already been practiced by the Air Force — the link to strategic planning, for example — but some changes were needed to obtain tighter

focus on results, closer linkage of individual accomplishments to the organization’s strategic plan and incorporation of balanced measures into the appraisal. As used in OPM’s performance appraisal regulations, balanced measures cover such things as organizational results, customer satisfaction and employee perspectives.

The Air Force Senior Executive Matters Office drafted revised senior executive service performance appraisal guidelines, with input from the Air Force Executive Resources Board Development Panel, SES employees and major command representatives.

Executives and their supervisors will find the major changes incorporate balanced measures and standard performance elements. The latter change, while not strictly required by the new OPM regulations, was made to foster equity in performance review board consideration of SES employees for performance bonuses.

Changes Made to Dress, Appearance Standards

Personnel officials remind military people that some of the 95th Uniform Board’s decisions took effect Feb. 1.

These changes are being incorporated into Air Force Instruction 36-2903, the Air Force’s instruction on dress and appearance.

- The changes include:
- √ When wearing ribbons, all — including devices — are required.
 - √ Attaché cases, gym bags, backpacks

and women’s purses are authorized to be carried in either hand, but cannot interfere with giving a proper salute.

√ “Camel pack” water containers are approved as part of standard hot weather uniform.

√ Attachments for access badges and passes are authorized (plain dark blue or black ropes, silver or plastic small link chains, and clear plastic chain or green with battle dress

uniforms or brown with desert battle dress uniforms) as long as they do not interfere with safety; they must be conservative and free of advertisement.

√ The re-sized mini-badge is authorized for wear when available for purchase.

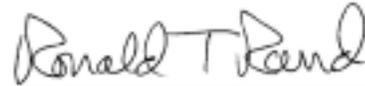
√ Center the excellence-in-competition badge on the welt pocket of the service dress jacket.

√ Pharmacy technician certification badge

may be worn on the white utility uniform 1/2 inch above nametag.

Although the board did not address the topic of nametags, the instruction states nametags must be ultramarine blue plastic material with white, block-style letters engraved on the plastic and a clutch-type fastener.

Additionally, the instruction states no deviations are to be made. Epoxy resin covered or coated nametags are not authorized.



RONALD T. RAND
Brigadier General, USAF
Director of Public Affairs

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QUOTABLE QUOTE

“We truly are a ‘people first’ Air Force. Indeed, many of our initiatives are aimed at the family, but AEF [Aerospace Expeditionary Force] also allows us to do what is basic to our Air Force, and that is to deploy. That’s what we’re all about. We will continue to work and refine procedures as we go through the second cycle of our AEF phases. It is our rhythm, and we’ll try and keep in it.”

Gen. Michael E. Ryan, Air Force chief of staff

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